



## Government Toolkit: Indicator 4.1.4

Student Handout: Government: Indicator 4.1.4

### Goal 4.0 Economics

Expectation 4.1 The student will demonstrate an understanding of economic principles, institutions, and processes required to formulate government policy.

Indicator 4.1.4 The student will evaluate the effectiveness of current monetary and fiscal policy on promoting full employment, price stability, and economic performance.

Assessment Limits:

Business cycle, monetary policy (Federal Reserve actions) and fiscal policy (Legislative and Executive actions) and their effect on economic performance, full employment, and price stability.

Tools of monetary policy (Federal Reserve System – FED) include the reserve requirement, interest rates, and open-market operations (buying and selling of government securities).

Tools of fiscal policy include increasing/decreasing taxes and tariffs and/or spending.

Measures of economic performance include Gross Domestic Product (GDP), Consumer Price Index (CPI), and unemployment rate.

### Public Release - Selected Response Item - Released in 2013

Government Indicator 4.1.4

Study the political cartoon below.

Question Image

What rates are being cut as shown in the political cartoon?

- A. tariff
- B. interest
- C. personal income tax
- D. corporate income tax

Correct Answer

- B. interest

## Item

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Question Image

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